Introduction of a Tiered Regulatory Approach for Credit Unions (CP76)

Registry of Credit Unions,

Central Bank of Ireland,

PO Box 559,

Dame St.,

Dublin 2.

27th of March 2014.

RE: The Central Bank of Ireland's Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions (CP76)

The following are some areas of concern raised by the Board of Directors of St. Gabriel's Credit Union Ltd. arising from a number of the proposals within CP76.

Impact analysis

Where is the Regulatory Impact Analysis for this?

Loans to officers a.k.a Restricted persons

Aggregate lending to this grouping is completely unjustified. The basis of a credit union is everyone is treated equally. How can you justify in our case 36 individuals (9 Directors, 3 B.O.C., 6 staff * 2) being allowed to borrow €200,000.00 or 5% of Regulatory reserve between them; when a member could come to the counter and technically would qualify for the same loan amount as an individual.

Our Reg. Reserve @ 30/09/13 was €2,450,441 5% = €122,522.05 therefore €200k as the larger amount would apply to us.

€200k/36 restricted persons = €5,500 each.

This restriction goes against the core principle of credit unions - that all members are equal and would be grossly unfair for everyone involved with the credit union. How would it work? If a volunteer had €10,000 in savings and the aggregate total was at the maximum level allowed we wouldn't be able to give this individual a loan? What about a fully secured loan?

Timeframe of legislation.

The new CUCORA Act has just been implemented (latest instalment March 2014) and a discussion document seeking views on changes to the legislation. The legislation should be given a chance to settle in and credit unions allowed to absorb the new changes before seeking to introduce this consultation process. We are working hard to deal with the changes being introduced and trying to ensure that they are managed correctly. Allow us the opportunity to work under the new legislation for at least 12 months to enable us to monitor and record any difficulties we are experiencing and provide feedback via the consultation process at that stage, not now it is too soon.

Investments.

- No issue with proposed changes re: liquidity, 25% counterparty risk.
- We would have concern re: prohibition of bank bonds and collective investments even though we haven't purchased such products in years. This prohibition could be very restrictive in the future if market conditions change.
- 5 year limit also very restrictive, by narrowing duration and type of product we feel this increases the risks associated with our portfolio. We would suggest that leeway should be given to allow a certain % over a longer term, 20% perhaps?

Conclusion

We would have concerns that the Central Bank is starting to micro-manage credit unions as it introduces more and more restrictions upon credit unions. Is this really the remit of a regulatory body?

Yours sincerely,

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ALAN DUFF,

Manager,

On behalf of the Board of Directors